



# Corporate Governance Statement

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25 March 2020



**CALTEX**

# Corporate Governance Statement

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As at 25 March 2020

## Introduction

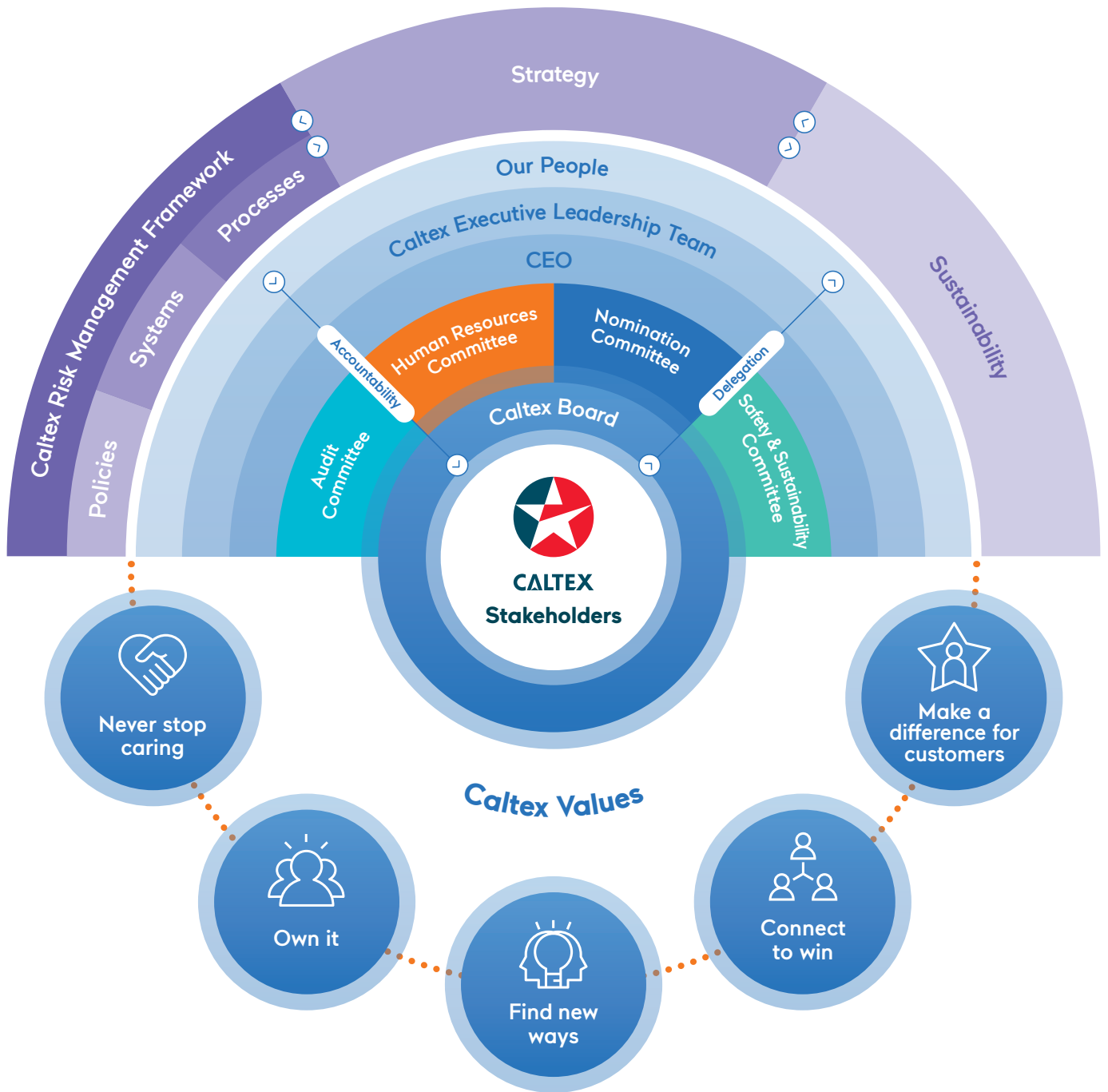
We, the board of Directors (Board) of Caltex Australia Limited (Caltex or the Company) are committed to acting lawfully, ethically and responsibly, which plays a critical role in our success as an organisation and our ability to generate shareholder value.

The Board has approved this Corporate Governance Statement (Statement), which summarises Caltex's corporate governance framework, practices and policies and complies with the third edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Recommendations) for the period from 1 January 2019 to 25 March 2020.

At Caltex, we have a corporate governance framework (CGF) to ensure we have high standards of governance. The CGF includes a skilled, diverse and independent Board at Caltex and the current Committees of the Board: Audit Committee, Human Resources Committee, Safety & Sustainability Committee and a Nomination Committee. The CGF ensures clear decision making, and accountability enabled by Caltex's Delegation of Authority (DOA). The Board has delegated responsibility to the Interim CEO (CEO). Matthew Halliday was appointed the Interim CEO on 2 March 2020 to manage Caltex's day-to-day business and operations within the limits set out in the DOA. The CEO has in turn delegated authority to the Caltex Executive Leadership Team for certain matters. The CGF also incorporates Caltex's values, Code of Conduct, Caltex's Strategy, Caltex's Risk Management Framework and Sustainability.



# Corporate Governance Framework



# Board Role & Responsibilities

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The Board directs and oversees the performance of Caltex management. The Board Charter outlines the responsibilities and accountabilities of the Board as summarised below, and is available on the corporate governance page of Caltex’s website.

| Area   | Board Responsibility   |
|--|--|
| <b>Culture, ethical standards and diversity</b>                                  | <ul style="list-style-type: none"> <li>• Model Caltex culture, values and commitment to safety.</li> <li>• Support management with enhancing and protecting Caltex’s reputation and corporate integrity.</li> <li>• Approve Caltex’s Code of Conduct and receive an annual report from management in relation to compliance with the Code of Conduct.</li> <li>• Approve Caltex’s environmental, social and governance framework including Caltex’s sustainability policies, Sustainability Report and other significant sustainability disclosures.</li> <li>• Approve Caltex’s <b>Diversity and Inclusion Policy</b> and measurable objectives for achieving diversity and inclusion across Caltex set in accordance with Caltex’s <b>Diversity and Inclusion Policy</b>, assessing annually those objectives and the progress against them, and monitoring the respective proportions of women and men on the Board, in senior executive positions, and across the whole organisation.</li> </ul> |
| <b>Overall direction, objectives and goals, reviewing and approving strategy</b> | <ul style="list-style-type: none"> <li>• Approve the business plan and budget and oversee management’s implementation of Caltex’s overall strategic direction and financial, operational and safety objectives and goals.</li> <li>• Monitor business performance against the objectives and goals set by the Board and reviewing the implementation of Board-approved strategies.</li> </ul>  |
| <b>Major capital expenditure, business acquisitions and other transactions</b>   | <ul style="list-style-type: none"> <li>• Approve capital expenditure, business acquisitions and other transactions outside the authorities delegated to the MD &amp; CEO.</li> <li>• Monitor the progress of major capital projects and business acquisitions and reviewing the returns from these investment.</li> </ul>  |
| <b>Financial matters and reports</b>   | <ul style="list-style-type: none"> <li>• Monitor Caltex’s financial performance, including the approval of the annual and half year financial statements and reports.</li> <li>• Receive signed declarations from the MD &amp; CEO and the Chief Financial Officer in relation to financial reports in accordance with the <i>Corporations Act 2001</i> (Cth).</li> <li>• Assess the external auditor’s independence, based on advice from the Audit Committee and taking into account matters related to services provided by the external auditor during the year.</li> <li>• Determine Caltex’s dividend.</li> <li>• Approve changes to Caltex’s capital structure and significant funding arrangements.</li> </ul>   |

# Board Role & Responsibilities cont.

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| Area   | Board Responsibility  |
|--|---|
| <b>Governance, legal and regulatory compliance</b> | <ul style="list-style-type: none"> <li>• Establish appropriate standards of corporate governance and legal and regulatory compliance.</li> <li>• Approve policies dealing with continuous disclosure, securities trading and shareholder communication.</li> <li>• Approve Board committee charters, Corporate Governance Statement and ASX Appendix 4G.</li> </ul>   |
| <b>Risk management</b>                             | <ul style="list-style-type: none"> <li>• Approve Caltex's risk management framework and risk appetite statements.</li> <li>• Monitor the adequacy, integrity and effectiveness of the critical systems and internal controls used to manage Caltex's material and emerging business risks.</li> <li>• Receive statements from management in relation to the effectiveness of risk management and internal control systems implemented to address material business risks.</li> <li>• Review Caltex's risk management framework at least annually.</li> <li>• Approve financial, tax and other material risk management policies.</li> <li>• Exercise "due diligence" by taking reasonable steps to ensure the business complies with both its work health, safety and environmental obligations.</li> </ul>   |
| <b>Human resources matters</b>                     | <ul style="list-style-type: none"> <li>• Approve the selection, appointment terms, remuneration, cessation of, and termination payments to the MD &amp; CEO.</li> <li>• Set the performance objectives for the MD &amp; CEO and evaluate performance against those objectives.</li> <li>• Approve the following recommendation from the MD &amp; CEO, the remuneration of the Caltex Leadership Team (CLT) and any termination payments to CLT members.</li> <li>• Approve changes to Caltex's remuneration system (on a whole remuneration system basis).</li> <li>• Approve Caltex's short term and long term incentive plans (with any discretionary powers to re-set approved targets or the size of a funding pool for incentive payments being specifically reserved to the Board).</li> <li>• Approve the terms of any salary sacrifice share plans for Directors (subject to the requirements of the ASX Listing Rules), senior executives and Caltex staff.</li> </ul> |
| <b>Health, safety and environment</b>              | <ul style="list-style-type: none"> <li>• Consider reports on work health, safety and environment matters and the operations within Caltex that are associated with hazards and risks.</li> <li>• Ensure and verify that Caltex has resources and processes in place to eliminate or minimise risks to health and safety, support safe workplace practices and facilitate compliance with Caltex's health, safety and environmental obligations.</li> <li>• Approve Caltex's <b>Health &amp; Safety Policy</b> &amp; Caltex's <b>Environmental Policy</b>.</li> </ul>  |

# 2019 Highlights

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During 2019, the Board focused on the governance areas highlighted below:



Revising the Code of Conduct



Approving the Environmental Sustainability and Governance Strategy 2019-2021



Further developing the Caltex Foundation



Promoting transparency by approving the publication of the Caltex Tax Transparency Report annually



Comprehensive risk management review, especially of non-financial risk and strengthening assurance across the three lines of defence

# Board Composition & Non-executive Director Tenure

## Board Composition and Independence

As at the date of this Statement, the Board comprises six independent non-executive directors (NEDs), including the Chairman. The details of the Board of Directors are available in the 2019 Annual Report and is available on the Board of Directors page on our website.

The Board annually assesses the independence of our Directors and appointment in accordance with the detailed criteria of the considerations for independence contained in the Board Charter annually. All of our NEDs satisfy Caltex's criteria for independence.

In summary, Directors are independent if they are independent of management and free of any business or other relationship that could, or reasonably be perceived to, materially interfere with their capacity to bring independent judgement on issues before the Board, and their ability to act in the best interests of Caltex. Each of the NEDs date of appointment and tenure are set out in the table below:

|                                |                                     | Date of appointment | NED tenure as at 25 March 2020 |
|--------------------------------|-------------------------------------|---------------------|--------------------------------|
| <b>Steven Gregg (Chairman)</b> | Independent, Non-Executive Director | 9 October 2015      | 4 years, 5 months              |
| <b>Mark Chellew</b>            | Independent, Non-Executive Director | 2 April 2018        | 2 years                        |
| <b>Melinda Conrad</b>          | Independent, Non-Executive Director | 1 March 2017        | 3 years                        |
| <b>Bruce Morgan</b>            | Independent, Non-Executive Director | 29 June 2013        | 6 years, 8 months              |
| <b>Barbara Ward AM</b>         | Independent, Non-Executive Director | 1 April 2015        | 4 years, 11 months             |
| <b>Penny Winn</b>              | Independent, Non-Executive Director | 1 November 2015     | 4 years, 4 months              |



# Board Committees

The Board has established four standing committees (Committees). Each Committee has a Charter, comprises independent NEDs, and is chaired by an independent NED. The role, structure, and composition of each Committee is summarised in the table below.

|                                  | Audit Committee   | Human Resources Committee   | Safety & Sustainability Committee  | Nomination Committee   |
|----------------------------------|---|---|--|--|
| <b>Role &amp; Responsibility</b> | <p><b>Assists the Board to:</b></p> <ul style="list-style-type: none"> <li>Review the integrity of financial reporting, including accounting policies and judgements made to present a true and fair view of Caltex's financial performance and position.</li> <li>Review dividend recommendations.</li> <li>Monitor the adequacy, integrity and effectiveness of financial risk management for material and any emerging financial risks and internal controls.</li> <li>Review the findings, plans, independence and performance of the external auditors and Caltex's internal audit function and approve the scope of their work.</li> <li>Approve the appointment or removal of the Head of Internal Audit.</li> </ul> | <ul style="list-style-type: none"> <li>Fulfil its corporate governance and oversight of Caltex's remuneration framework, succession planning and remuneration and diversity and inclusion disclosures.</li> <li>Set measurable objectives for achieving diversity and inclusion and reviewing the progress made towards achieving those objectives on an annual basis.</li> <li>Review the remuneration of NEDs and the total remuneration pool of NEDs.</li> <li>Review the remuneration, including retention and termination payments to the MD &amp; CEO and the CLT.</li> <li>Monitor performance of the MD &amp; CEO and the CLT.</li> <li>Review succession planning for CLT positions.</li> <li>Consider significant governance, regulatory and industry issues with the potential to affect remuneration matters.</li> <li>Review the remuneration disclosures in the Annual Report.</li> </ul> | <ul style="list-style-type: none"> <li>Review and put plans in place to mitigate any health, safety, environment &amp; sustainability risk.</li> <li>Consider matters arising out of the activities of the Caltex Group (Caltex) and the impact of those activities on employees, contractors, customers and suppliers, and the communities and environments in which Caltex operates.</li> <li>Approve the internal audit annual plan and charter in relation to health, safety, environment and sustainability.</li> <li>Assess the appropriateness of Caltex's safety, environment and sustainability practices to manage material risks.</li> <li>Review sustainability issues including climate change, human rights, resource efficiency, responsible procurement practices, community activities and investment and business ethics.</li> <li>Monitor compliance with legal and regulatory obligations and policies in relation to health and safety.</li> <li>Review statements and reports in relation to the adequacy, integrity and effectiveness of systems, controls, processes and procedures.</li> <li>Review and recommend Caltex's Sustainability Report, policies and procedures, ESG framework, assessment of risks and benchmarking.</li> <li>Recommend key performance indicators for inclusion in incentive plan for the CEO and CLT.</li> </ul> | <ul style="list-style-type: none"> <li>Review the Board's composition to ensure the Board has an appropriate mix of skills, experience, expertise and diversity.</li> <li>Review policies and processes for the selection and induction program for NEDs.</li> <li>Review and oversee succession planning of the MD &amp; CEO and for the NEDs.</li> <li>Make recommendations on the election and re-election of NEDs and the MD &amp; CEO.</li> <li>Oversee the process for evaluating the performance of the MD &amp; CEO, Board, its committees and individual Directors.</li> <li>Engage external consultants (as required) to assist in performance reviews or the recruitment of potential NEDs and the MD &amp; CEO.</li> </ul> |



# Board Committees cont.

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|   | Audit Committee  | Human Resources Committee  | Safety & Sustainability Committee  | Nomination Committee  |
|---|--|--|--|---|
| <b>Structure</b>                          | <b>Requirements:</b>   |  |  |   |
|   | <ul style="list-style-type: none"> <li>• Have at least three independent NEDs.</li> <li>• Chairman must be independent.</li> <li>• Have one member with accounting or related financial management qualifications and experience.</li> </ul> | <ul style="list-style-type: none"> <li>• Have at least three NEDs, a majority of whom must be independent.</li> <li>• Chairman must be independent.</li> </ul> | <ul style="list-style-type: none"> <li>• Have at least three NEDs, a majority of whom must be independent.</li> <li>• Chairman must be independent.</li> </ul> | <ul style="list-style-type: none"> <li>• Comprises of all NEDs from time to time.</li> <li>• Have at least three members.</li> <li>• Board Chairman serves as Nomination Chairman.</li> </ul> |
| <b>Composition</b><br>(as at 31 Dec 2019) | <b>Members:</b>  |  |  |   |
|   | Bruce Morgan (Chairman)<br>Melinda Conrad<br>Barbara Ward AM<br>Penny Winn   | Barbara Ward AM (Chairman)<br>Melinda Conrad<br>Mark Chellew   | Penny Winn (Chairman)<br>Bruce Morgan<br>Mark Chellew  | Steven Gregg (Chairman)<br>Mark Chellew<br>Melinda Conrad<br>Bruce Morgan<br>Barbara Ward AM<br>Penny Winn  |

Caltex does not have a separate Risk Committee. Oversight of Caltex's **Risk Management Framework** is the responsibility of the Board with each standing Committee delegated oversight of specific risks. The Human Resources Committee has oversight of remuneration and compensation matters.

The Chairman of the Board attends Committee meetings in an ex-officio capacity. All Directors receive Committee papers and are invited to attend meetings of Committees of which they are not members.

Caltex's Annual Report discloses the number of times the Board and Committee have met throughout the financial year and the individual attendances of Directors at those meetings. Caltex's Annual Report, and each committee charter is available on our website.

# Board Committees cont.

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## Director Appointment, Election and Re-Election

All newly appointed Directors are subject to appropriate checks before being appointed and an appointment letter is provided to each Director which sets out the terms of their appointment.

Newly appointed NEDs hold office until the end of the next Annual General Meeting and are eligible for election by shareholders at the meeting. However, the MD & CEO is appointed by the Board and is not subject to election by shareholders.

The Board's recommendations are disclosed in the notice of meeting made available to shareholders, together with biographical information and relevant information for each NED standing for election or re-election to facilitate the making of an informed decision on whether to elect or re-elect a Director. A recommendation to re-elect a NED at the end of their term is not automatic.

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## Induction and Training

All new NEDs are required to participate in an induction program and receive induction materials to assist with familiarising them with Caltex's business, strategy and operations, values, performance, risks, regulatory landscape, governance framework (including relevant policies) and external environment. The induction program is tailored to each Director's needs and includes briefings, site visits and relevant training.

Directors are also encouraged to attend continuing Director education, training and professional development programs as part of a program reviewed annually. There is a mixture of internal and external training and this process is periodically reviewed by the Board.

During 2019, the Board attended a number of site visits, including the Lytton refinery in Queensland and the Kurnell terminal. The Directors also attended several education sessions on process safety.

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## Performance Evaluation

A formal Board evaluation process is carried out every two to three years, facilitated by an external consultant, who conducts one on one interviews with Directors and key executives and prepares a report which is discussed with the whole Board. The Chairman also discusses the report with individual Directors and key executives.

A formal Board performance evaluation was conducted in 2018 and ongoing internal performance evaluation is completed to monitor board effectiveness.

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## Directors' Skills and Diversity

The Board reviews its composition annually, including the mix of skills, experience, expertise and diversity of Directors and the Board, to ensure it can effectively discharge its obligations.

Details of the skills, experience, expertise and Committee membership of each Director is contained in their biographies which are in the Annual Report and on our website.

The current board skills matrix is set out on page 11.

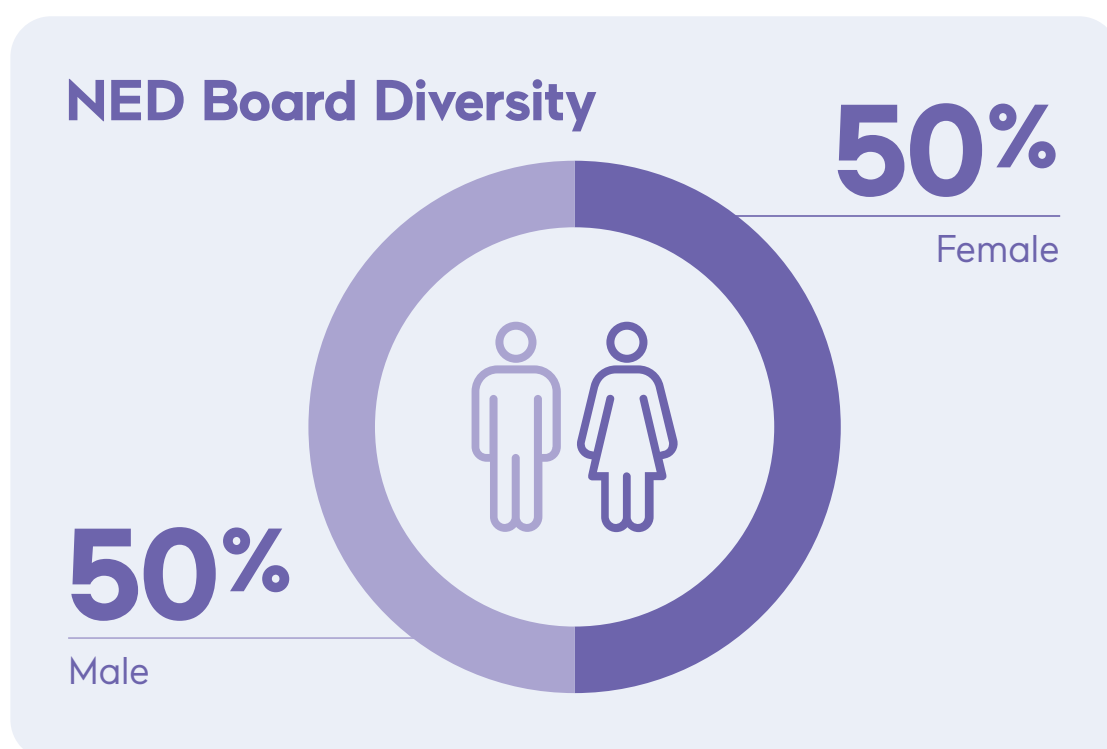
# Board Skills Matrix

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| Skill/ experience                      | Summary  | Directors with skill/ experience |
|--|--|----------------------------------|
| <b>Strategic and commercial acumen</b> | Former or current experience to define strategic objectives, constructively question business plans and implement strategy using commercial judgement and an appreciation of customer-centred design and lean and agile processes. | 6/6                              |
| <b>Financial acumen</b>                | Financial knowledge, accounting or related financial management qualifications and experience.   | 6/6                              |
| <b>Leadership</b>                      | Held CEO or similar positions or experience in senior leadership roles, including on the boards of other significant listed companies.   | 6/6                              |
| <b>Risk and compliance</b>             | Experience anticipating and identifying key risks to the organisation and monitoring the effectiveness of risk management frameworks and controls.   | 6/6                              |
| <b>Oil and gas industry experience</b> | Experience in the oil and gas industry.  | 1/6                              |
| <b>International experience</b>        | Having a global perspective through exposure or responsibility for international operations.   | 5/6                              |
| <b>Convenience retail experience</b>   | Former or current executive role in the Convenience retail industry or retail knowledge and experience of customer-led transformation in the general convenience retail market.  | 3/6                              |
| <b>Public policy / regulatory</b>      | Interaction with government and regulators and involvement in public policy decisions.   | 6/6                              |
| <b>Capital projects</b>                | Experience working in an industry with projects involving large-scale long-cycle capital outlays.  | 5/6                              |
| <b>Technology</b>                      | Experience with the application of technology in large complex businesses and experience in technology strategies and innovation.  | 2/6                              |

# Board Skills Matrix cont.

| Skill/ experience                  | Summary   | Directors with skill/ experience |
|------------------------------------|---|----------------------------------|
| <b>Corporate Governance</b>        | Commitment to, and knowledge of, governance and sustainability issues, with particular reference to the legal, compliance and regulatory listed environment applicable to highly regulated listed entities.   | 6/6                              |
| <b>Health, Safety, and ESG</b>     | Understanding of the issues associated with workplace health and safety, assets integrity, environment and social responsibility and community.   | 4/6                              |
| <b>HR /Remuneration</b>            | Understanding the link between strategy, performance and remuneration outcomes.   | 5/6                              |
| <b>People, Culture and Conduct</b> | Experience in people matters including workspace, culture, morale, management development, succession and remuneration, with particular reference to Caltex's talent retention and development requirements and the ability to consider and respond to matters relating to inclusion and diversity. | 6/6                              |



# NED Remuneration

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## NED Remuneration

Remuneration for NEDs is fixed and is subject to a remuneration pool of \$2,500,000 which was approved by shareholders in 2016. NEDs do not participate in any incentive plans or receive any performance-based remuneration or retirement benefits schemes. At Caltex, Directors are required to build and maintain a holding in Caltex shares to align their interests with those of shareholders. Each NED is required to hold an interest in shares in Caltex with a market value not less than the Board base fee, within three years of appointment to the Board. All NEDs comply with the minimum shareholding requirement.

Details of NEDs' fees and shareholdings and senior executives' remuneration are disclosed in the remuneration report contained in Caltex's Annual report, which is available on our website.

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## Company Secretary and Access to Independent Advice

The Company Secretary is directly accessible to the Directors and accountable directly to the Board, through the Chairman, on all matters to do with governance and the proper functioning of the Board. For details of the Company Secretary refer to the 2019 Annual Report available on our website. Caltex's Directors also have access to independent professional advice at Caltex's expense.

# Diversity & Inclusion

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At Caltex, we are committed to creating an organisational culture that motivates and supports our people. We embrace a strong belief in, and value the advantages of, a diverse and inclusive workplace in which individuals of varied backgrounds and perspectives are welcomed, encouraged and given the opportunity to contribute to their full potential. We recognise that this delivers high performing individuals who are committed to Caltex, which in turn plays a key role in supporting the long-term success of our business.

Our commitment to diversity and inclusion forms part of a merit-based organisational culture. We seek to create a work environment where people are included and free to achieve their best, without encountering prejudice. We will not tolerate any form of unlawful discrimination, harassment or victimisation of an employee.

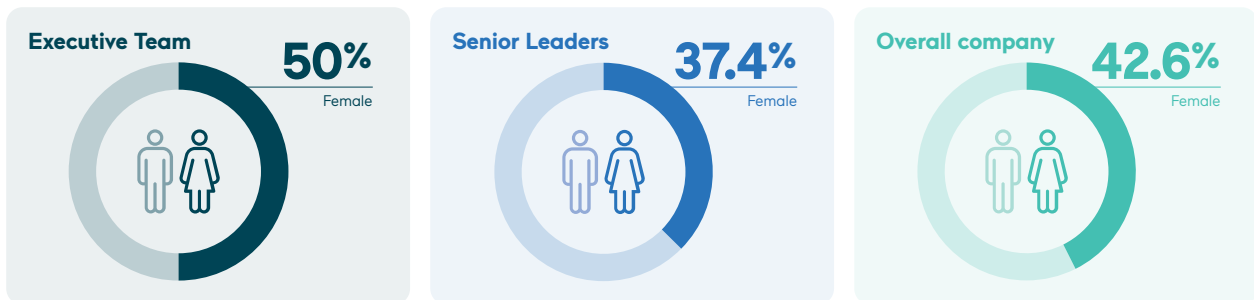
Each year, the Board sets measurable objectives relating to diversity and inclusion. These objectives, and our progress in achieving them is assessed annually. The requirement to set measurable objectives for achieving diversity and for them to be assessed is set out in the **Diversity and Inclusion Policy**.

## Gender Equality

The **Diversity and Inclusion Policy** reflects our commitment to diversity and inclusion and our best practice programs to promote gender equality. In 2019 Caltex was awarded the 2019-2020 Employer of Choice for Gender Equality (EOGC) citation from the **Workplace Gender Equality Agency (WGEA)**. This represents the fifth consecutive period that we have been awarded this citation.

To help guide our progress toward gender equality, we have set a goal of 40 per cent female representation in senior leadership positions to be achieved by 31 December 2020. As at 31 December 2019, women represented 37.4 per cent of all senior leadership positions, with 50 per cent of all promotions to senior leadership positions achieved by women in 2019. For the financial year ended 31 December 2019, female representation on the Caltex Executive Leadership Team has increased to 50 per cent. As at the date of this Statement, the female representation on the Caltex Board has increased to 50 per cent. To continue increasing the pipeline of female talent and the representation of women in senior positions, we will continue to provide appropriate development and promotion opportunities and further build on our employee value proposition.

Our gender pay differential stands at a minimal rate of 0.4 per cent in favour of males on a like-for-like job basis and our former MD & CEO, Julian Segal, was a Pay Equity Ambassador for WGEA during 2019.



# Diversity & Inclusion cont.

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## Indigenous Opportunities

Creating a meaningful difference to the lives of Indigenous Australians by providing sustainable employment and development opportunities continues to be a focus area for Caltex. Reflective of our commitment, in 2019 we continued strong growth in the number of employees who identified as Aboriginal and Torres Strait Islander, up from 147 to 203 employees as at 31 December 2019.

Caltex continued to embed the actions from our first Reconciliation Action Plan (RAP) throughout 2019. The RAP is a public declaration of our commitment to reconciliation under the three pillars of building respect, relationships and opportunities and sets out our plans through to July 2020.

Highlights include:

- Continuing our strong relationship with Clontarf Foundation
- Entering into a new partnership with the Stars Foundation, an organisation that provides intensive, full-time mentoring support for Indigenous young women throughout their secondary school years
- Employing 10 CareerTrackers interns
- Inviting Elders to perform Welcome to Country at significant meetings
- Implementing Acknowledgements of Country as part of a standard practice in meetings
- Becoming Supply Nation members
- Commemorating NAIDOC Week with our employees.

In early 2020, we will begin the development of our second RAP.

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## Flexibility and Inclusion

To ensure we sustain good practices, Caltex promoted a 'Focus on Flexibility' campaign during the year involving the sharing of case studies of successful flexible working arrangements in all their different forms and supporting leaders to make decisions consistent with our culture. From recent engagement surveys, 77% of our people have adopted flexible work arrangements and 83% of employees feel that they have the flexibility they need to manage work with other commitments.

Building on changes we made to our **Paid Parental Leave Policy** in 2018, such as the removal of a minimum tenure period and extension of paid leave to long-term and permanent foster carers, in 2019 Caltex extended its Paid Partner Leave (secondary carers leave) provision from one to two weeks. This change is designed to help our employees spend time with, and support, their family during an important and exciting time in their life. Our Baby Care Package, which includes a 12% annual bonus; access to a child-care finding service, and emergency, in-house child-care also continues to provide parents with the practical support and flexibility to make the transition back to work easier. In 2019, 54 parents accessed the BabyCare Package.

Further details on the initiatives to drive inclusiveness and flexibility are in the table below.

# 2019 Diversity Objectives & disclosure on progress against the objectives

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| Diversity Objectives   | Outcomes as at 31 December 2019   |
|--|---|
| <p><b>1. Increase the representation of women in senior leadership roles to 40% by December 2020</b></p> | <p>Female senior leadership representation was 37.4%.</p> <p>We remain committed to our December 2020 target of 40% female representation, with each business area embedding a focus on gender diversity within their people strategy and business performance objectives.</p>  |
| <p><b>2. Eliminate gender-based pay differences on a like-for-like job level basis</b></p>               | <p>We have continued to manage our gender-based pay differential at a negligible rate of 0.4 in favour of males on a like-for-like role basis. This compares to a reduction when compared to 1.08% in 2018.</p> <p>Our former MD &amp; CEO was a Pay Equity Ambassador for the Workplace Gender Equality Agency, demonstrating his commitment to eliminating gender-based pay differences.</p>  |
| <p><b>3. Build long-term Indigenous employment market capability</b></p>                                 | <p>The number of employees identifying as Aboriginal and/or Torres Strait Islander was 203 representing 2.66% of Caltex's Australian workforce. This compares to 147 employees (2.23%) at the end of 2018.</p> <p>Caltex continues to support the CareerTrackers Indigenous Internship and has done so throughout 2019. In early 2020, we will develop our second RAP.</p>  |
| <p><b>4. Implement initiatives to drive inclusiveness and flexibility</b></p>                            | <p>The results of our 2019 Employee Engagement survey (with a participation rate of 71%) showed that 77% of Caltex employees utilised a flexible work arrangement, either on an ad-hoc or regular basis. This compares to 67% of employees in 2018.</p> <p>To celebrate and provide support to families, Caltex also hosted a number of 'Bring Your Kids to Work' days at 2Market and a highly successful 'Family Fun Day' at Sydney's Luna Park in 2019. Caltex also made changes to its <b>Parental Leave Policy</b>, increasing paid partner (nonprimary carer) leave from one to two weeks.</p> <p>A new employee working group was formed in 2019 – the LGBTIQ+ group which actively focuses on promoting and supporting the LGBTIQ+ community at Caltex.</p> <p>Caltex continued its support for events such as R U OK day, Mental Health Awareness Week, Harmony day, International Women's day, Close the Gap, National Reconciliation Week and NAIDOC week. Many of these events were employee led and run by our "Women in the Fuels Industry" (WIFI) and "Indigenous Trailblazers" employee groups.</p> <p>Caltex has also continued its support for veteran employment in 2019 and has participated in veteran employment fairs, raised funds and provided office space for the non-profit organisation, SoliderOn.</p> |



# Risk management

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## Risk Management Governance

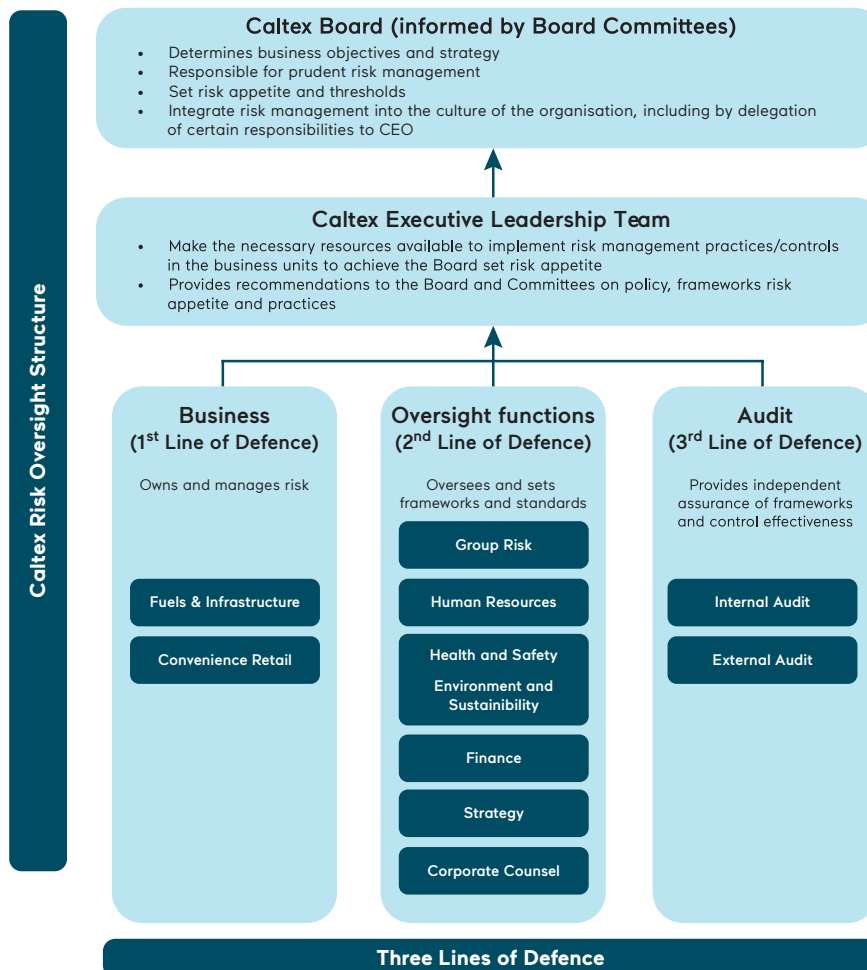
The purpose of managing risk is to ensure Caltex achieves its strategic and business objectives and to create value. Caltex is exposed to a range of financial and non-financial risks associated with operating in the convenience retail and fuels and infrastructure environments. A summary of Caltex’s material business risks, (including economic, environmental and social sustainability risks) and their mitigation plans are detailed in the 2019 Annual Report, which is available on our website.

## Risk Management Framework

Caltex is committed to the effective management of risk with regards to its core business activities and decision making and has developed an enterprise risk management framework, supported by a governance structure (three lines of defence), to integrate risk management into the overall culture of the organisation.

The Caltex Risk Management Framework (CRMF) is designed with regard to the International Standard ISO 31000:2018 Risk Management guideline and the ASX Recommendations.

The diagram below sets out an overview of the risk management framework at Caltex together, with the key responsibilities of the Board, its Committees, the Caltex Executive Leadership Team, Group Risk, Internal Audit and the businesses. It incorporates the three lines of defence model, which is how risk is managed at Caltex.



## Risk management cont.

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The Board reviews the CRMF at least annually to satisfy itself that it continues to be sound. An independent review of the CRMF was also conducted in 2018. The Board is satisfied that the CRMF, with the implementation of the improvement opportunities identified from the independent review, continues to be a sound framework that will support the delivery of Caltex's strategic objectives into the future.

### Internal Audit

Caltex has a dedicated internal audit function which provides an independent and objective assessment to the Board and management regarding the adequacy, effectiveness and efficiency of our risk management, control and governance processes.

Internal audit conducts audits in accordance with audit plans approved by the Audit Committee (for financial, strategic and compliance risks) and the Safety and Sustainability Committee (for health, safety, environment and sustainability risks), and provides regular reports to those Committees and to senior management.

The General Manager (Group Audit and Risk) reports to the Executive General Manager (People, Communications and Governance), and has a reporting line to the Chairman of each of the Audit and Safety and Sustainability Committees and meets with them regularly. In addition, the Audit Committee and the Safety and Sustainability Committee meet privately with the General Manager (Group Audit and Risk).

## Integrity in financial reporting

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Prior to the approval of Caltex's full year financial statements, the Board received a signed declaration from the former MD & CEO and the Chief Financial Officer, pursuant to section 295A of the *Corporations Act 2001* (Cth) (Corporations Act).

A signed declaration in the form required by the *Corporations Act 2001* (Cth) has been received from the former MD & CEO and the Chief Financial Officer for the year ended 31 December 2019.



# Environmental & Social Sustainability

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## Acting Responsibly, Ethically and Lawfully

We recognise that sustainability is integral to our business strategy and is essential to our long-term success. For us, sustainability is about managing the material risks and opportunities in a way that best balances the long-term needs of our investors, customers, employees and the communities in which we operate. We understand that this is an evolving agenda, and we regularly assess the significance of current and emerging social and environmental issues relevant to our business.

We report annually on our most material sustainability issues and our performance against our Environment Sustainability and Governance (ESG) Strategy in our Sustainability Report, which is available on our website. Our report is prepared in accordance with the Global Reporting Initiative (GRI) standards.

Selected datasets within our Sustainability Report are subject to independent limited assurance, performed in accordance with the Australian Standard on Assurance Engagements (ASAE) 3000. We are committed to aligning our climate-related disclosures in accordance with the Task Force of Climate-related Financial Disclosures (TCFD), including testing our business strategy against a range of plausible climate futures.



# Code of Conduct and Whistleblower Policy

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The Caltex Values underpin everything we do and are included in Caltex's Code of Conduct (Code). The Code defines Caltex's expectations and inculcates the ethical and safe behaviour expected from all employees, Directors and officers of the Caltex Group. Caltex also expects external parties, including suppliers and customers to act in accordance with our Code.

## Caltex Values



The Code includes health and safety, drug and alcohol, diversity and inclusion, human rights, harassment, bullying prevention, environmental policy, risk management, regulatory, privacy, and engaging with the community, shareholders and other stakeholders. Caltex has a zero tolerance for bribery, corruption and fraud. Under the Code, Caltex's **Whistleblowing Policy** and the **Ethical Business Practices Policy**, there are reporting channels to report any instance of bribery, corruption and fraud or any other reportable conduct - including through the Caltex Hotline.

Material breaches, including any non-compliance with the Code, are reported to the Board on a half-yearly basis. Reportable conduct under the Code includes, but is not limited to:

- Breaches of regulations, laws or obligations under a contract
- Breaches of Caltex's policies, processes or standards
- Illegal, fraudulent, dishonest, corrupt or unethical activity
- Endangering the health or safety of any person
- Inappropriate workplace behaviours (e.g. discrimination, harassment and bullying)

# Whistleblower Policy and others

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The **Caltex Whistleblower Policy** encourages employees, suppliers and others with close knowledge of our operations to come forward if they are aware of misconduct or an improper state of affairs in respect of Caltex and report it through a dedicated Caltex Australia Hotline. Reports to the Caltex Australia Hotline can be made anonymously and confidentially, and whistleblowers who make reports will be protected from mistreatment or retaliation. Caltex has appointed Whistleblower Intake Officers who manage and oversee the handling of reports made under the policy as well as Whistleblowing Protection Officers who ensure whistleblowers receive adequate protections.

The types of conduct which can be reported under the **Caltex Whistleblower Policy** are:

- Dishonest, illegal, corrupt or fraudulent behaviour
- Unethical behaviour and breaches of Caltex's policies, Code of Conduct or Supplier Code of Conduct
- Financial irregularities (including tax related)
- Conduct endangering health, safety, or the environment
- Inappropriate work behaviour (e.g. systemic discrimination, harassment and bullying)
- Victimising someone for reporting Reportable Conduct
- Breaches of regulations or laws

The Audit committee has oversight of incidents reported under the **Caltex Whistleblower Policy**, which is available on Caltex's website.

## Human Rights Policy

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Caltex is committed to conducting its business in a way that respects human rights, including those of our employees, customers, suppliers and the communities in which we operate. The **Human Rights Policy** aims to prevent and mitigate the impact of our operations on human rights including any form of child labour or slavery. The Safety and Sustainability Committee oversee the implementation of the **Human Rights Policy** and is tasked with reviewing the annual **Modern Slavery Statement**.

The **Human Rights Policy** is also supported by the **Supplier Code of Conduct**, which builds on the culture at Caltex of diversity and workplaces that are free from discrimination, harassment, and bullying in compliance with Australian laws and international labour standards.

## Tax transparency

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Caltex has published its 2018 Total Taxes Paid Report, in accordance with the Board of Taxation's Voluntary Tax Transparency Code, which is available on the Caltex website.

# Caltex Foundation

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The Caltex Foundation was established in 2018 and is the vehicle through which we deliver our corporate social responsibility activities. We have continued to embed the Caltex Foundation across the business ensuring that we are facilitating our connection with the communities in which we live and work. We are proud to continue supporting organisations with social impact, as well as supporting other inspiring organisations that are focused on youth education and health, safety and under-served communities. This includes:

- The Caltex Best All Rounder program
- Clontarf Foundation
- Australian Road Safety Foundation
- Westpac Rescue Helicopter Service
- CareerTrackers Indigenous Internship Program
- Donating to selected charities through our Fuelling Change employee giving program; and donating StarCash to community organisations



clontarf  
foundation



We are also partnering with new organisations and finding new ways to make a difference in our communities. This includes:

- Supporting the Stars Foundation which enables Aboriginal and Torres Strait Islander girls and young women to make active choices towards realising their full potential
- Supporting Foodbank, Australia's largest hunger relief organisation
- Donating StarCash to the NSW Rural Fire Service
- Raising money for Rural Aid by donating \$1 from every 20 litre Delo® product sold over 12 months to Rural Aid to assist farming communities and lend a helping hand to rural producers facing tough times in drought affected areas

# Communicating with security holders and continuous disclosure

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Caltex is committed to giving investors, securityholders and other stakeholders timely and accurate information about our business and performance, including via the Caltex website.

Caltex complies with its continuous disclosure obligations under the Corporations Act and the ASX listing rules. The process and responsibilities of continuous disclosure are detailed in Caltex's **Continuous Disclosure Policy**, available on our website.

Caltex releases copies of new and substantive investor or analyst presentation materials to the ASX ahead of the presentations being given. Caltex posts all material information that is released to the ASX on the Caltex website and the Board also receive copies of all material market announcements after release. At annual general meetings, Caltex has implemented various policies and processes to facilitate and encourage participation at meetings of security holders, including holding its annual general meetings in an accessible location, webcasting and by encouraging security holders to submit questions by email to the company or the external auditor prior to annual general meetings. All voting is decided by poll.

Caltex's external auditor attends its annual general meetings and is available to answer questions from security holders relevant to the audit and in accordance with the *Corporations Act 2001* (Cth).

Caltex encourages security holders to receive communications and payments electronically. Caltex has transitioned to mandatory electronic payments and to electronic investor communications as permitted by the *Corporations Act 2001* (Cth). Security holders can update their payment and communication elections anytime by emailing [caltex@boardroomlimited.com.au](mailto:caltex@boardroomlimited.com.au), or visiting [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au) and going to "InvestorServe" or by contacting BoardRoom directly.

Both the **Shareholder Communications Policy** and **Continuous Disclosure Policy** are available on our website.

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## Restrictions on Caltex Securities Trading - Hedging, margin lending or derivatives

Caltex's **Securities Trading Policy** prohibits dealing in Caltex securities, when in possession of inside information. It also prohibits specified Caltex persons (Designated Caltex Personnel) and their associates from dealing in Caltex securities except during limited trading windows. It further prohibits entering into any arrangements that would have the effect of limiting their risk exposure relating to Caltex securities, including vested Caltex securities or unvested entitlements to Caltex securities under Caltex employee incentive schemes. Designated Caltex Personnel must not enter into any margin lending arrangements in respect of Caltex securities.

Designated Caltex Personnel must take reasonable steps, including notifying their connected persons of closed periods, to prevent any closely connected persons from trading in Caltex securities in any way that is prohibited under this Policy. Caltex's **Securities Trading Policy** is available on our website.